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**The Arc of DeSoto**  
**(a nonprofit corporation)**  
**Mansfield, Louisiana**

**FINANCIAL STATEMENTS**  
**June 30, 2001 and 2000**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/19/01

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**Deborah D. Dees, MBA, CPA**  
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**Mansfield, LA 71052**  
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**The Arc of DeSoto**  
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*Deborah D. Dees, MBA, CPA*



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CERTIFIED PUBLIC ACCOUNTANT

### Independent Auditor's Report

To the Board of Directors  
The Arc of DeSoto  
Mansfield, LA 71052

I have audited the accompanying statements of financial position of The Arc of DeSoto (a nonprofit corporation) as of June 30, 2001 and 2000, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of DeSoto Association for Retarded Citizens, Inc. at June 30, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2001, on my consideration of The Arc of DeSoto's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

*Deborah D. Dees, CPA*

Mansfield, Louisiana

November 9, 2001

**The Arc of DeSoto**  
**Statements of Financial Position**  
**June 30, 2001 and 2000**

<b>Assets</b>	<u>2001</u>	<u>2000</u>
<b>Current Assets</b>		
Cash	\$ 197,541	\$ 126,970
OCDD Vocational & Habilitative Services receivable	-	25,972
Community Home receivable	9,133	9,133
Medicaid receivable	1,206	3,250
Payroll taxes receivable		467
Prepaid expenses	6,881	-
<b>Total current assets</b>	<u>214,761</u>	<u>165,792</u>
<b>Property, plant &amp; equipment</b>		
Land	8,000	8,000
Building	55,965	117,195
Furniture and fixtures	525	23,706
Machinery and equipment	17,344	26,908
Vans	89,940	96,791
Sheltered workshop equipment	28,452	22,619
<b>Total property, plant &amp; equipment</b>	<u>200,226</u>	<u>295,219</u>
Less: accumulated depreciation	(99,945)	(155,492)
Construction in progress	158,749	-
<b>Net property, plant &amp; equipment</b>	<u>259,030</u>	<u>139,727</u>
Deposits	150	50
<b>Total Assets</b>	<u><u>\$ 473,941</u></u>	<u><u>\$ 305,569</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable-trade	\$ 32,594	\$ 3,425
Payroll taxes payable	4,043	4,557
<b>Total current liabilities</b>	<u>36,637</u>	<u>7,982</u>
<b>Net Assets</b>		
Unrestricted:		
Board operating fund	8,065	5,692
Designated for programs	198,875	152,169
Fixed assets	230,364	139,726
<b>Total unrestricted net assets</b>	<u>437,304</u>	<u>297,587</u>
<b>Total Liabilities and Net assets</b>	<u><u>\$ 473,941</u></u>	<u><u>\$ 305,569</u></u>

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statements of Activities**  
**For the years ended June 30, 2001 and 2000**

<b>Unrestricted Net Assets</b>	<u>2001</u>	<u>2000</u>
Revenues and other support:		
Contracts with governmental agencies	\$ 234,703	\$ 234,702
Community Homes-contractual	53,663	54,791
Medicaid income	21,444	11,519
United Way	7,194	7,100
Membership dues	895	410
Interest and dividend income	8,379	2,131
Contributions	3,025	1,504
Service income-sheltered workshop	50,916	56,185
Gain on assets destroyed by fire	127,618	-
Miscellaneous income	1,703	4,223
Total revenues and other support	<u>509,540</u>	<u>372,565</u>
Expenses:		
Program Services		
Adult habilitation services	311,084	280,976
Sheltered workshop	55,968	60,343
Other programs	2,771	1,957
Total program services	<u>369,823</u>	<u>343,276</u>
Change in unrestricted net assets	139,717	29,289
Unrestricted net assets, beginning of year	297,587	268,298
Unrestricted net assets, end of year	<u>\$ 437,304</u>	<u>\$ 297,587</u>

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2001**

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 860	\$	\$
Bank charges	65		
Client expense			2,771
Depreciation	15,960	3,014	
Drug Testing	356		
Dues	900		
Fuel	23,285		
Insurance	21,402		
License	34		
Maintenance-vehicles	18,604		
Office supplies	5,112		
Payroll taxes	13,609		
Postage	633		
Professional fees	7,615		
Repairs	2,455	3,911	
Salaries & wages	172,916	34,506	
Security	835		
Staff training	871		
Supplies	6,468	14,537	
Telephone	3,174		
Travel	1,886		
Utilities	2,867		
Yard maintenance	1,600		
Other expense	355		
Rent	9,222		
Total program services expenses	\$ <u>311,084</u>	\$ <u>55,968</u>	\$ <u>2,771</u>

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2000**

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 641	\$	\$
Bank charges	68		
Client expense			1,957
Depreciation	21,026	1,824	
Drug Testing	62		
Dues	167		
Employee benefits	-		
Fuel	16,571		
Insurance	12,100	277	
License	51		
Maintenance-vehicles	14,678		
Office supplies	3,784		
Payroll taxes	12,227		
Postage			
Professional fees	8,950		
Repairs	4,707	1,525	
Salaries & wages	162,699	35,846	
Security	342		
Staff training	457		
Supplies	5,504	20,871	
Telephone	2,721		
Travel	858		
Utilities	8,239		
Yard maintenance	3,800		
Miscellaneous	1,324		
Total program service expenses	\$ <u>280,976</u>	\$ <u>60,343</u>	\$ <u>1,957</u>

The accompanying notes are an integral part of the financial statements.



**The Arc of DeSoto**  
**Statement of Cash Flows**  
**For the year ended June 30, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Change in unrestricted net assets	\$ 139,717	\$ 29,289
Adjustment to reconcile change in net assets to net cash provided by operations:		
Depreciation expense	18,974	22,850
Gain on assets destroyed by fire	(127,618)	-
(Increase)Decrease in accounts receivable	28,483	(15,411)
(Increase)Decrease in prepaids	(6,881)	-
(Increase)Decrease in other assets	(100)	
Increase(Decrease) in accounts payable	29,169	606
Increase(Decrease) in payroll taxes payable	(514)	(110)
Net cash provided by operating activities	<u>81,230</u>	<u>37,224</u>
Cash flows from investment activities		
Cash proceeds from insurance settlement	182,064	-
Investment in construction in progress	(158,749)	-
Investment in fixed assets	(33,974)	(8,720)
Net cash used in investing activities	<u>(10,659)</u>	<u>(8,720)</u>
Net increase in cash	70,571	28,504
Cash at beginning of period	126,970	98,466
Cash at end of period	<u>\$ 197,541</u>	<u>\$ 126,970</u>

The accompanying notes are an integral part of the financial statements.



**The Arc of DeSoto.**  
**Notes to Financial Statements**  
**June 30, 2001 and 2000**

**Note A. Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities

The Arc of DeSoto is a nonprofit corporation under the laws of the State of Louisiana. The Arc of DeSoto (The Arc) was established to provide vocational and habilitation services to developmental disabled persons ages 22 years and older within DeSoto Parish, Louisiana. In October 2001, the DeSoto Association for Retarded Citizens, Inc. had its name changed to The Arc of DeSoto.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, The Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Arc has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications. The Statement of Activities presents the expenses charged directly to program or supporting services based on specific identification.

Cash Equivalents

For the purposes of the statement of cash flows, The Arc of DeSoto considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation as of June 30, 2001 insures the checking accounts at each institution.

Property and equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds there from is subject to state regulations.

The Arc of DeSoto follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$250. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Buildings and improvements	31.5 years
Furniture and equipment	5 years
Vans	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for December 31, 2001 and 2000 is \$18,974 and \$22,850, respectively.

**The Arc of DeSoto.**  
**Notes to Financial Statements**  
**June 30, 2001 and 2000**

**Income Taxes**

The Arc of DeSoto is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Association is subject to taxation as unrelated business income. The Arc of DeSoto had no such income for this audit period.

**Revenue and Support**

The Arc of DeSoto receives its contract support primarily from the State of Louisiana Department of Health and Hospitals, Office for Citizens with Developmental Disabilities. Contractual revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned. The Arc of DeSoto receives other contractual revenue from local community homes for the services provided to their clients.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purposes restrictions accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Arc of DeSoto had no temporarily or permanently restricted net assets in 2001 or 2000.

**Retirement Obligations**

The employees of The Arc of DeSoto are members of the Social Security System. There are no other retirement plans available through the organization.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Compensated Absences**

Compensated absences are not recorded in the financial statements because all employees take the same week vacation in June and 10-day vacation in December. Leave is accumulated but if not used, is only paid if the employee is terminated; therefore the amount cannot be reasonably estimated.

**Note B. Transactions with Related Parties**

The Arc of DeSoto has purchased lawn equipment and repair work for years ending June 30, 2001 and 2000, of approximately \$8,732 and \$5,100, respectively, from a company owned by a member of the Board of Directors.

**The Arc of DeSoto.**  
**Notes to Financial Statements**  
**June 30, 2001 and 2000**

**Note C. Construction in Progress**

On September 2, 2000, an arson fire destroyed The Arc of DeSoto facilities at 1528 Old Jefferson Highway, Mansfield. The building and its contents were lost. All the client and financial records were burned. The facilities were covered by insurance. The Arc was in the process of rebuilding at June 30, 2001.

Cost of assets destroyed by fire	\$127,719
Less accumulated depreciation	<u>(73,273)</u>
Basis of assets lost in fire	<u>55,446</u>
Insurance proceeds to date	<u>182,064</u>
Gain on assets	<u>\$127,618</u>
As of June 30, 2001:	
Cost of building replacement	\$158,749
Cost of replacement assets	<u>26,044</u>
	<u>\$184,793</u>



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The Arc of DeSoto  
Mansfield, LA 71052

I have audited the financial statements of The Arc of DeSoto (a nonprofit corporation) as of and for the years ended June 30, 2001 and 2000, and have issued my report thereon dated November 9, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Arc of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Arc of DeSoto's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial reporting and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements begin audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Legislative Auditor, and the cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Deborah D. Dees, CPA*  
Mansfield, Louisiana

November 9, 2001

**The Arc of DeSoto**  
Schedule of Finding and Questioned Costs  
For the Years ended June 30, 2001 and 2000

**SUMMARY OF AUDITOR'S REPORTS**

**INDEPENDENT AUDITOR'S REPORT:**

I have audited the financial statements of The Arc of DeSoto (a nonprofit corporation) as of and for the years ended June 30, 2001 and 2000, and have issued my report thereon dated November 9, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2001 and 2000, resulted in an unqualified opinion.

**REPORT ON INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL REPORTING:**

No instances of noncompliance material to the financial statements of The Arc of DeSoto were disclosed during the audit.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**FINANCIAL STATEMENTS FINDINGS**

None.

**The Arc of DeSoto**  
Summary Schedule of Prior Audit Findings  
For the Years ended June 30, 2001 and 2000

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Cash receipts**

The Arc has instituted tighter controls over cash receipts as recommended.

**Separation of Duties**

The Arc has complied with prior year recommendations.